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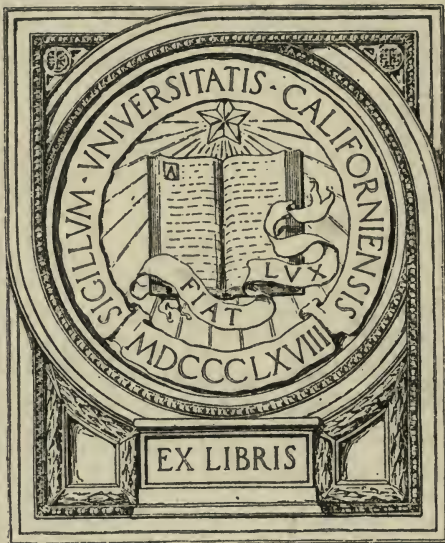
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THE INCOME TAX LAW



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WHAT A TRUST COMPANY CAN DO FOR YOU AND
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THE INCOME TAX LAW

CONTAINING

- I. A Digest of the Income Tax Law, by J. J. Scott, Collector of Internal Revenue . Page 3
- II. Full Text of the Income Tax Law . . Page 9
- III. Instructions of the United States Treasurer Regarding the Collection of the Income Tax (dated October 25, 1913) . . . Page 29
- IV. Additional Instructions with Reference to Deduction of Income Tax at the Source on Income of Individuals Other Than That Derived from Interest (dated October 31, 1913) Page 40



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FOREWORD.

Public interest naturally centers in the Income Tax Law that is now in effect. To meet the demand for information on this subject the Savings Union Bank and Trust Company has issued this pamphlet, which contains a digest of the law by J. J. Scott, Collector of Internal Revenue, the full text of that portion of the new tariff law providing for a tax on incomes, and the instructions issued by the Treasurer of the United States regarding the collection of the income tax, with reference particularly to the deduction of the income tax, at the source, on interest maturing on bonds issued October 25, 1913; and additional instructions issued October 31, 1913, with reference to deduction of income tax at the source on income of individuals other than that derived from interest.

This is the most complete compilation of information concerning the Income Tax Law that has yet been made, and is authentic and official.

TO THE
AMERICAN

A DIGEST OF THE INCOME TAX LAW

By JOSEPH J. SCOTT, U. S. Collector of Internal Revenue.

In any consideration of the new Federal Income Tax thought should be given to the two distinct divisions of the tax, viz., the normal tax of one per cent on all net incomes in excess of the specified exemptions and the additional, or graduated tax on incomes above \$20,000 a year at increasing percentages. The normal tax is assessable against both individuals and corporations; the additional tax against only individuals.

In the abstract of the new law herewith given this distinction is drawn, and should be kept in mind. For convenience the term "Persons" is employed to designate individuals as contrasted with corporate taxpayers. The latter are assembled under the term "Corporations," but in their number are included all corporations, joint-stock companies or associations, as well as insurance companies. Thus, the general reference to "persons" and "corporations" may be understood.

PERSONS AFFECTED.

1. Every citizen of the United States, whether residing at home or abroad.
2. Every resident of the United States, *though not a citizen.*
3. Every resident of a foreign country deriving income from the United States.

RATES.

1. Normal tax of 1 per cent on all incomes in excess of \$3,000 a year.
2. Additional tax according to the following scale:
 - (a) One per cent upon the amount by which net income exceeds \$20,000 but does not exceed \$50,000.
 - (b) Two per cent upon the amount by which net income exceeds \$50,000 but does not exceed \$75,000.
 - (c) Three per cent upon the amount by which net income exceeds \$75,000 but does not exceed \$100,000.
 - (d) Four per cent upon the amount by which net income exceeds \$100,000 but does not exceed \$250,000.
 - (e) Five per cent upon the amount by which net income exceeds \$250,000 but does not exceed \$500,000.
 - (f) Six per cent upon the amount by which net income exceeds \$500,000.

WHAT IS INCOME?

In general the law takes cognizance of the following as constituting the income of persons:

1. Gains, profits and income derived from salaries, wages, or compensation for personal services of any kind.

2. From professions, vocations, businesses, trade and dealings in real and personal property.

3. From interest, rent, dividends, or securities, and the income from, but not the value of property acquired by gift, bequest or descent.

INCOME NOT TAXABLE.

Proceeds of life insurance policies received by the beneficiary upon the death of the insured, or payments made to the insured on endowment or annuity contracts are not taxable.

DEDUCTIONS FOR PERSONS.

Net income of persons for the purpose of the normal tax will be computed by deducting from gross income the following items:

1. Necessary and actual expenses of carrying on business (not including personal living or family expenses).

2. All interest paid during the year on indebtedness.

3. All national, state, county, school and municipal taxes. (Not including taxes assessed against local benefits.)

4. Losses in trade or by fire, storm or shipwreck, not compensated for by insurance or otherwise.

5. Worthless accounts actually charged off during the year.

6. Reasonable allowance for exhaustion, wear and tear of property through use. In the case of mines the allowance for depletion of ores and other natural deposits shall not exceed 5 per cent of the value at the mine of the output for the year. This provision also covers oil wells. Under no circumstances is a deduction allowed for any amount paid out for new buildings or permanent improvements.

7. Dividends on stock or from the net earnings of any corporation taxable on its net income. The personal return must, however, include such dividends in order that they may be considered in the computation of the additional tax for individuals. As far as the normal tax for individuals is concerned such dividends are not considered a part of personal incomes, being taxed to that extent by direct assessment against the corporations.

8. Amount of income upon which the tax has been paid or withheld for payment at the source.

9. General exemption of \$3,000. Then \$1,000 extra if the person making the return have a wife living with him, or a husband living with her. However, should both husband and wife have taxable incomes and be living together, the total exemption is \$4,000.

COLLECTION AT SOURCE.

The general provision is that the normal tax of 1 per cent shall be withheld by all persons, firms, copartnerships, companies, corporations, joint-stock companies or associations, and insurance companies, in whatever capacity acting. This also applies to lessees or mortgagors of real or personal property, to trustees, executors, administrators, agents, receivers, conservators and em-

ployers, having the control, receipt, custody, disposal or payment of interest, rent, salaries, wages, premiums, annuities, or other fixed or determinable annual income of another person exceeding \$3,000 for the taxable year.

Must Claim Deductions.

The person whose income tax is thus withheld must, in order to receive the benefit of the exemption of \$3,000 (plus \$1,000 for a wife or husband) file with the withholding power a claim in writing at least 30 days before the return is due. This means 30 days prior to March the first.

As to the privilege of the person affected by the withholding provision to avail himself of the other detailed deductions, the law provides that a statement in writing shall be filed with the withholding power setting forth the person's income from all other sources and specifying the deductions asked for. The statement will then become a part of the return made in such person's behalf. It, too, must be filed at least 30 days before the return is due. In this latter respect, however, the individual affected can avail himself or herself of filing such a statement directly with the Collector of Internal Revenue, to be considered with the return made in his or her behalf under the withholding provision.

Should the claim for exemptions and deductions not be filed in time to become parts of the return of income, there would remain to the person affected only the right of application for a refund of the tax after the payment of the same.

Income from Bonds.

The normal tax of 1 per cent must be withheld from payments of interest upon bonds, mortgages, or deeds of trust, or similar obligations of corporations, whether payable annually or at shorter or longer periods, even though such interest does not exceed \$3,000.

Incomes from Foreign Sources.

This requirement applies also to coupons, checks or bills of exchange in payment of interest upon the bonds of foreign countries, upon foreign mortgages and the stocks and bonds of foreign corporations, regardless of the amount or how often due.

(NOTE—Here it should be noted that the taxpayer should not be confused by the necessity of withholding the tax upon the dividends of foreign corporations, in view of the provision exempting the dividends of domestic corporations from either the withholding requirement or from consideration in the assessment of the normal income tax against individuals. The difference must be apparent. In the case of the foreign corporation the government of the United States can tax only the part of the dividends due residents of the United States or citizens of the United States residing abroad. In the case of the domestic corporation the government can levy and collect the normal tax upon the dividends by a direct assessment against the corporation.)

The withholding provision in respect to foreign payments affects all making such collections, and every dealer in coupons representing foreign interest or dividends, except that dealer who purchases the coupons from a banker or another dealer in such coupons, must abide by it.

TAX ON CORPORATIONS.

Domestic and Foreign.

For those corporations organized in the United States the normal income tax will be levied upon the entire net income; but for those organized under the laws of a foreign country upon the net income accruing from business transacted and capital invested in the United States.

Those Exempt.

The following exceptions among corporations are specified as exempt from the tax:

1. Labor organizations.
2. Agricultural and horticultural associations.
3. Mutual savings banks not having capital stock represented by shares.
4. Fraternal beneficiary societies and orders.
5. Domestic building and loan associations.
6. Mutual cemetery companies.
7. Religious, charitable, scientific and educational associations.
8. Chambers of commerce, boards of trade, and civic organizations in general.

CORPORATION'S TAXABLE INCOME.

The net income of any domestic corporation will be ascertained by deducting from gross income the following items:

1. All ordinary and necessary expenses for maintenance and operation, including rent.

2. All losses actually sustained and not compensated for by insurance or otherwise. Here will be considered a reasonable allowance for depreciation by use, wear and tear of property, if any. In the case of mines the allowance will be figured as heretofore noted in determining the net income of persons.

3. Amount of interest accrued and paid within the year on indebtedness to an amount of such indebtedness not exceeding one-half the sum of its interest-bearing indebtedness and its paid-up capital at the close of the year. Or, if no capital stock, the amount of interest paid within the year on an amount of its indebtedness not exceeding the amount of the capital employed in the business at the close of the year. In the case of banks, loan and trust companies the interest paid on deposits or money received for investment and secured by certificates. As respects indebtedness wholly secured by collateral which is the subject of sale in the ordinary business of the corporation, the total interest secured and paid.

4. All taxes paid on assessments levied under the authority of the United States, or any state, or foreign government.

Income of Foreign Corporations.

The net income of corporations existing under the laws of a foreign country will be computed in practically the same way, the law taking cognizance only of the gross income accrued during the taxable year from business transacted and capital invested within the United States. The deductions, likewise, will be based wholly on operations within the United States.

COLLECTION OF TAX.

Returns of incomes, under oath, must be in the hands of the Collector of Internal Revenue not later than March first.

The tax will be due June 1 and will become delinquent June 30, when a penalty of 5 per cent will accrue with interest at the rate of 1 per cent a month.

While the law fixes the calendar year as the taxable year, it allows any corporation the right to make its own fiscal year its taxable year.

INSURANCE COMPANIES.

Insurance companies in making returns can deduct from gross income the net addition, if any, required by law to be made within the taxable year to reserve funds; also the sums other than dividends paid on policy and annuity contracts.

Mutual fire insurance companies need not make returns of any portions of premium deposits returned to policyholders, but must make returns for taxation of all income from other sources, plus those portions of the premium deposits retained by the companies for purposes other than for loss, expenses, and reinsurance reserves.

Mutual marine insurance companies can deduct amounts repaid policyholders on account of premiums paid or on account of interest accruing on such amounts between the time of becoming due and payment.

Life insurance companies need not include that portion of any premium paid back or credited to a policyholder, or treated as an abatement of premium.

OTHER IMPORTANT PROVISIONS.

Public Utilities Exempt.

The law provides that states and their political subdivisions are exempted from payment of the tax on any income that accrues to them from the operation of public utilities, or the exercise of any governmental function. This exemption does not, however, apply to the income derived from any public utility by the person or corporation operating it.

Public Bonds Not Taxed.

In the computation of net income the interest upon the obligations of a state or any political subdivision of a state, also upon the obligations of the United States, is excluded. This covers public bonds in general.

Persons Exempt.

Exempt from the tax are the salaries of the President of the United States, all Federal judges, and all state, county and municipal officers and employees.

Partners Are Individuals.

In dealing with corporate taxpayers the law makes special exception of partnerships and holds that the persons in a partnership shall be liable for the tax only in their individual capacity.

Must Get License.

All persons, firms or corporations undertaking the collection of foreign incomes must obtain a license by application to the Collector of Internal Revenue.

Undivided Profits.

Undivided and undistributed profits will be considered in ascertaining the net income of persons.

Accumulation of profits for the purpose of evading the law will not avail because the fact that profits are allowed to accumulate beyond the reasonable needs of a business will be regarded as *prima facie* evidence of a fraudulent purpose.

No Double Taxation.

Double Taxation of corporation dividends is prevented by assessing the normal income tax on such dividends against the corporations and not against the individuals receiving them. It will be noted, however, that when corporation dividends contribute to individual incomes subject to the additional tax they enter into the computation of net incomes.

The Tax for 1913.

The tax for the year 1913, will be collected for that part of the calendar year beginning March 1 and ending December 31. All deductions and exemptions will be figured on a five-sixths basis in order to arrive at five-sixths of the net income, which, for 1913, will be regarded as the taxable income.

**For information concerning the Income Tax
and the preparation of statements consult**

**TRUST DEPARTMENT
of
SAVINGS UNION BANK AND TRUST COMPANY**

Savings Union Bank and Trust Company

THE INCOME TAX LAW

Full text of that portion of "An Act to Reduce Tariff Duties and to Provide Revenue for the Government, and for Other Purposes," providing for a tax upon the incomes of all persons, corporate and private (H. R. 3321). Approved October 3, 1913; in effect November 1, 1913.

SECTION II.

A. Subdivision 1. That there shall be levied, assessed, collected and paid annually upon the entire net income arising or accruing from all sources in the preceding calendar year to every citizen of the United States, whether residing at home or abroad, and to every person residing in the United States, though not a citizen thereof, a tax of 1 per centum per annum upon such income, except as hereinafter provided; and a like tax shall be assessed, levied, collected, and paid annually upon the entire net income from all property owned and of every business, trade, or profession carried on in the United States by persons residing elsewhere.

Subdivision 2. In addition to the income tax provided under this section (herein referred to as the normal income tax) there shall be levied, assessed, and collected upon the net income of every individual an additional income tax (herein referred to as the additional tax) of 1 per centum per annum upon the amount by which the total net income exceeds \$20,000 and does not exceed \$50,000, and 2 per centum per annum upon the amount by which the total net income exceeds \$50,000 and does not exceed \$75,000, 3 per centum per annum upon the amount by which the total net income exceeds \$75,000 and does not exceed \$100,000, 4 per centum per annum upon the amount by which the total net income exceeds \$100,000 and does not exceed \$250,000, 5 per centum per annum upon the amount by which the total net income exceeds \$250,000 and does not exceed \$500,000, and 6 per centum per annum upon the amount by which the total net income exceeds \$500,000. All the provisions of this section relating to individuals who are to be chargeable with the normal income tax, so far as they are applicable and are not inconsistent with this subdivision of paragraph A, shall apply to the levy, assessment, and collection of the additional tax imposed under this section. Every person subject to this additional tax shall, for the purpose of its assessment and collection, make a personal return of his total net income from all sources, corporate or otherwise, for the preceding calendar year, under rules and regulations to be prescribed by the Commissioner of Internal Revenue and approved by the Secretary of the Treasury. For the purpose of this additional tax the taxable income of any individual shall embrace the share to which he would be entitled of the gains and profits, if divided or distributed, whether divided or distributed or not, of all corpora-

tions, joint-stock companies, or associations however created or organized, formed or fraudulently availed of for the purpose of preventing the imposition of such tax through the medium of permitting such gains and profits to accumulate instead of being divided or distributed; and the fact that any such corporation, joint-stock company, or association, is a mere holding company, or that the gains and profits are permitted to accumulate beyond the reasonable needs of business shall be *prima facie* evidence of a fraudulent purpose to escape such tax; but the fact that the gains and profits are in any case permitted to accumulate and become surplus shall not be construed as evidence of a purpose to escape the said tax in such case unless the Secretary of the Treasury shall certify that in his opinion such accumulation is unreasonable for the purposes of the business. When requested by the Commissioner of Internal Revenue, or any district collector of internal revenue, such corporation, joint-stock company, or association shall forward to him a correct statement of such profits and the names of the individuals who would be entitled to the same if distributed.

B. That, subject only to such exemptions and deductions as are hereinafter allowed, the net income of a taxable person shall include gains, profits, and income derived from salaries, wages, or compensation for personal service of whatever kind and in whatever form paid, or from professions, vocations, businesses, trade, commerce, or sales, or dealings in property, whether real or personal, growing out of the ownership or use of or interest in real or personal property, also from interest, rent, dividends, securities, or the transaction of any lawful business carried on for gain or profit, or gains or profits and income derived from any source whatever, including the income from but not the value of property acquired by gift, bequest, devise, or descent: *Provided*, That the proceeds of life insurance policies paid upon the death of the person insured or payments made by or credited to the insured, on life insurance, endowment, or annuity contracts, upon the return thereof to the insured at the maturity of the term mentioned in the contract, or upon surrender of contract, shall not be included as income.

That in computing net income for the purpose of the normal tax there shall be allowed as deductions: First, the necessary expenses actually paid in carrying on any business, not including personal, living, or family expenses; second, all interest paid within the year by a taxable person on indebtedness; third, all national, State, county, school, and municipal taxes paid within the year, not including those assessed against local benefits; fourth, losses actually sustained during the year, incurred in trade or arising from fires, storms, or shipwreck, and not compensated for by insurance or otherwise; fifth, debts due to the taxpayer actually ascertained to be worthless and charged off within the year; sixth, ✓ a reasonable allowance for the exhaustion, wear and tear of property arising out of its use or employment in the business, not to exceed, in the case of mines, 5 per centum of the gross value at the mine of the output for the year for which the computation is

made, but no deduction shall be made for any amount of expense of restoring property or making good the exhaustion thereof for which an allowance is or has been made: *Provided*, That no deduction shall be allowed for any amount paid out for new buildings, permanent improvements, or betterments, made to increase the value of any property or estate; seventh, the amount received as dividends upon the stock or from the net earnings of any corporation, joint-stock company, association, or insurance company which is taxable upon its net income as hereinafter provided; eighth, the amount of income, the tax upon which has been paid or withheld for payment at the source of the income, under the provisions of this section, provided that whenever the tax upon the income of a person is required to be withheld and paid at the source as hereinafter required, if such annual income does not exceed the sum of \$3,000 or is not fixed or certain, or is indefinite, or irregular as to amount or time of accrual, the same shall not be deducted in the personal return of such person.

The net income from property owned and business carried on in the United States by persons residing elsewhere shall be computed upon the basis prescribed in this paragraph and that part of paragraph G of this section relating to the computation of the net income of corporations, joint-stock and insurance companies, organized, created, or existing under the laws of foreign countries, in so far as applicable.

That in computing net income under this section there shall be excluded the interest upon the obligations of a State or any political subdivision thereof, and upon the obligations of the United States or its possessions; also the compensation of the present President of the United States during the term for which he has been elected, and of the judges of the supreme and inferior courts of the United States now in office, and the compensation of all officers and employees of a State or any political subdivision thereof except when such compensation is paid by the United States Government.

C. That there shall be deducted from the amount of the net income of each of said persons, ascertained as provided herein, the sum of \$3,000, plus \$1,000 additional if the person making the return be a married man with a wife living with him, or plus the sum of \$1,000 additional if the person making the return be a married woman with a husband living with her; but in no event shall this additional exemption of \$1,000 be deducted by both a husband and a wife: *Provided*, That only one deduction of \$4,000 shall be made from the aggregate income of both husband and wife when living together.

D. The said tax shall be computed upon the remainder of said net income of each person subject thereto, accruing during each preceding calendar year ending December thirty-first: *Provided, however*, That for the year ending December thirty-first, nineteen hundred and thirteen, said tax shall be computed on the net income accruing from March first to December thirty-first, nineteen hundred and thirteen, both dates inclusive, after deducting five-sixths only of the specific exemptions and deductions herein provided for. On or before the first day of March, nineteen hundred

and fourteen, and the first day of March in each year thereafter, a true and accurate return, under oath or affirmation, shall be made by each person of lawful age, except as hereinafter provided, subject to the tax imposed by this section, and having a net income of \$3,000 or over for the taxable year, to the collector of internal revenue for the district in which such person resides or has his principal place of business, or, in the case of a person residing in a foreign country, in the place where his principal business is carried on within the United States, in such form as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall prescribe, setting forth specifically the gross amount of income from all separate sources and from the total thereof, deducting the aggregate items or expenses and allowances herein authorized; guardians, trustees, executors, administrators, agents, receivers, conservators, and all persons, corporations, or associations acting in any fiduciary capacity, shall make and render a return of the net income of the person for whom they act, subject to this tax, coming into their custody or control and management, and be subject to all the provisions of this section which apply to individuals: *Provided*, That a return made by one of two or more joint guardians, trustees, executors, administrators, agents, receivers, and conservators, or other persons acting in a fiduciary capacity, filed in the district where such person resides, or in the district where the will or other instrument under which he acts is recorded, under such regulations as the Secretary of the Treasury may prescribe, shall be a sufficient compliance with the requirements of this paragraph; and also all persons, firms, companies, co-partnerships, corporations, joint-stock companies or associations, and insurance companies, except as hereinafter provided, in whatever capacity acting, having the control, receipt, disposal, or payment of fixed or determinable annual or periodical gains, profits, and income of another person subject to tax, shall in behalf of such person deduct and withhold from the payment an amount equivalent to the normal income tax upon the same and make and render a return, as aforesaid, but separate and distinct, of the portion of the income of each person from which the normal tax has been thus withheld, and containing also the name and address of such person or stating that the name and address or the address, as the case may be, are unknown: *Provided*, That the provision requiring the normal tax of individuals to be withheld at the source of the income shall not be construed to require any of such tax to be withheld prior to the first day of November, nineteen hundred and thirteen: *Provided further*, That in either case above mentioned no return of income not exceeding \$3,000 shall be required: *Provided further*, That any persons carrying on business in partnership shall be liable for income tax only in their individual capacity, and the share of the profits of a partnership to which any taxable partner would be entitled if the same were divided, whether divided or otherwise, shall be returned for taxation and the tax paid, under the provisions of this section, and any such firm, when requested by the Commissioner of Internal Revenue, or any district collector, shall forward to him a correct statement of such profits and the names of the individuals who would be entitled to the same, if distributed: *Pro-*

vided further, That persons liable for the normal income tax only, on their own account or in behalf of another, shall not be required to make return of the income derived from dividends on the capital stock or from the net earnings of corporations, joint-stock companies or associations, and insurance companies taxable upon their net income as hereinafter provided. Any person for whom return has been made and the tax paid, or to be paid as aforesaid, shall not be required to make a return unless such person has other net income, but only one deduction of \$3,000 shall be made in the case of any such person. The collector or deputy collector shall require every list to be verified by the oath or affirmation of the party rendering it. If the collector or deputy collector have reason to believe that the amount of any income returned is understated, he shall give due notice to the person making the return to show cause why the amount of the return should not be increased, and upon proof of the amount understated may increase the same accordingly. If dissatisfied with the decision of the collector, such person may submit the case, with all the papers, to the Commissioner of Internal Revenue for his decision, and may furnish sworn testimony of witnesses to prove any relevant facts.

E. That all assessments shall be made by the Commissioner of Internal Revenue and all persons shall be notified of the amount for which they are respectively liable on or before the first day of June of each successive year, and said assessments shall be paid on or before the thirtieth day of June, except in cases of refusal or neglect to make such return and in cases of false or fraudulent returns, in which cases the Commissioner of Internal Revenue shall, upon the discovery thereof, at any time within three years after said return is due, make a return upon the information obtained as provided for in this section or by existing law, and the assessment made by the Commissioner of Internal Revenue thereon shall be paid by such person or persons immediately upon notification of the amount of such assessment; and to any sum or sums due and unpaid after the thirtieth day of June in any year, and for ten days after notice and demand thereof by the collector, there shall be added the sum of 5 per centum on the amount of tax unpaid, and interest at the rate of 1 per centum per month upon said tax from the time the same became due, except from the estates of insane, deceased, or insolvent persons.

All persons, firms, copartnerships, companies, corporations, joint-stock companies or associations, and insurance companies, in whatever capacity acting, including lessees, or mortgagors of real or personal property, trustees acting in any trust capacity, executors, administrators, agents, receivers, conservators, employers, and all officers and employees of the United States having the control, receipt, custody, disposal, or payment of interest, rent, salaries, wages, premiums, annuities, compensation, remuneration, emoluments, or other fixed or determinable annual gains, profits, and income of another person, exceeding \$3,000 for any taxable year, other than dividends on capital stock, or from the net earnings of corporations and joint-stock companies or associations subject to like tax, who are required to make and render a return in behalf of another, as provided herein, to the collector of his, her, or its district, are hereby

authorized and required to deduct and withhold from such annual gains, profits, and income such sum as will be sufficient to pay the normal tax imposed thereon by this section, and shall pay to the officer of the United States Government authorized to receive the same; and they are each hereby made personally liable for such tax. In all cases where the income tax of a person is withheld and deducted and paid or to be paid at the source, as aforesaid, such person shall not receive the benefit of the deduction and exemption allowed in paragraph C of this section except by an application for refund of the tax unless he shall, not less than thirty days prior to the day on which the return of his income is due, file with the person who is required to withhold and pay tax for him, a signed notice in writing claiming the benefit of such exemption and thereupon no tax shall be withheld upon the amount of such exemption: *Provided*, That if any person for the purpose of obtaining any allowance or reduction by virtue of a claim for such exemption, either for himself or for any other person, knowingly makes any false statement or false or fraudulent representation, he shall be liable to a penalty of \$300; nor shall any person under the foregoing conditions be allowed the benefit of any deduction provided for in subsection B of this section unless he shall, not less than thirty days prior to the day on which the return of his income is due, either file with the person who is required to withhold and pay tax for him a true and correct return of his annual gains, profits, and income from all other sources, and also the deductions asked for, and the showing thus made shall then become a part of the return to be made in his behalf by the person required to withhold and pay the tax, or likewise make application for deductions to the collector of the district in which return is made or to be made for him: *Provided further*, That if such person is a minor or an insane person, or is absent from the United States, or is unable owing to serious illness to make the return and application above provided for, the return and application may be made for him or her by the person required to withhold and pay the tax, he making oath under the penalties of this Act that he has sufficient knowledge of the affairs and property of his beneficiary to enable him to make a full and complete return for him or her, and that the return and application made by him are full and complete: *Provided further*, That the amount of the normal tax hereinbefore imposed shall be deducted and withheld from fixed and determinable annual gains, profits, and income derived from interest upon bonds and mortgages, or deeds of trust or other similar obligations of corporations, joint-stock companies or associations, and insurance companies, whether payable annually or at shorter or longer periods, although such interest does not amount to \$3,000, subject to the provisions of this section requiring the tax to be withheld at the source and deducted from annual income and paid to the Government; and likewise the amount of such tax shall be deducted and withheld from coupons, checks, or bills of exchange for or in payment of interest upon bonds of foreign countries and upon foreign mortgages or like obligations (not payable in the United States), and also from coupons, checks, or bills of exchange for or in payment of any dividends upon the stock or interest upon the obligations of foreign corporations, associations, and insurance

companies engaged in business in foreign countries; and the tax in each case shall be withheld and deducted for and in behalf of any person subject to the tax hereinbefore imposed, although such interest, dividends, or other compensation does not exceed \$3,000, by any banker or person who shall sell or otherwise realize coupons, checks, or bills of exchange drawn or made in payment of any such interest or dividends (not payable in the United States), and any person who shall obtain payment (not in the United States), in behalf of another of such dividends and interest by means of coupons, checks, or bills of exchange, and also any dealer in such coupons who shall purchase the same for any such dividends or interest (not payable in the United States), otherwise than from a banker or another dealer in such coupons; but in each case the benefit of the exemption and the deduction allowable under this section may be had by complying with the foregoing provisions of this paragraph.

All persons, firms, or corporations undertaking as a matter of business or for profit the collection of foreign payments of such interest or dividends by means of coupons, checks, or bills of exchange shall obtain a license from the Commissioner of Internal Revenue, and shall be subject to such regulations enabling the Government to ascertain and verify the due withholding and payment of the income tax required to be withheld and paid as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall prescribe; and any person who shall knowingly undertake to collect such payments as aforesaid without having obtained a license therefor, or without complying with such regulations, shall be deemed guilty of a misdemeanor and for each offense be fined in a sum not exceeding \$5,000, or imprisoned for a term not exceeding one year, or both, in the discretion of the court.

Nothing in this section shall be construed to release a taxable person from liability for income tax, nor shall any contract entered into after this Act takes effect be valid in regard to any Federal income tax imposed upon a person liable to such payment.

The tax herein imposed upon annual gains, profits, and income not falling under the foregoing and not returned and paid by virtue of the foregoing shall be assessed by personal return under rules and regulations to be prescribed by the Commissioner of Internal Revenue and approved by the Secretary of the Treasury.

The provisions of this section relating to the deduction and payment of the tax at the source of income shall only apply to the normal tax hereinbefore imposed upon individuals.

F. That if any person, corporation, joint-stock company, association, or insurance company liable to make the return or pay the tax aforesaid shall refuse or neglect to make a return at the time or times hereinbefore specified in each year, such person shall be liable to a penalty of not less than \$20 nor more than \$1,000. Any person or any officer of any corporation required by law to make, render, sign, or verify any return who makes any false or fraudulent return or statement with intent to defeat or evade the assessment required by this section to be made shall be guilty of a misdemeanor, and shall be fined not exceeding \$2,000 or be imprisoned not exceeding one year, or both, at the discretion of the court, with the costs of prosecution.

G. (a) That the normal tax hereinbefore imposed upon individuals likewise shall be levied, assessed, and paid annually upon the entire net income arising or accruing from all sources during the preceding calendar year to every corporation, joint-stock company or association, and every insurance company, organized in the United States, no matter how created or organized, not including partnerships; but if organized, authorized, or existing under the laws of any foreign country, then upon the amount of net income accruing from business transacted and capital invested within the United States during such year: *Provided, however,* That nothing in this section shall apply to labor, agricultural, or horticultural organizations, or to mutual savings banks not having a capital stock represented by shares, or to fraternal beneficiary societies, orders, or associations operating under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system, and providing for the payment of life, sick, accident, and other benefits to the members of such societies, orders, or associations and dependents of such members, nor to domestic building and loan associations, nor to cemetery companies, organized and operated exclusively for the mutual benefit of their members, nor to any corporation or association organized and operated exclusively for religious, charitable, scientific, or educational purposes, no part of the net income of which inures to the benefit of any private stockholder or individual, nor to business leagues, nor to chambers of commerce or boards of trade, not organized for profit or no part of the net income of which inures to the benefit of the private stockholder or individual; nor to any civic league or organization not organized for profit, but operated exclusively for the promotion of social welfare: *Provided further,* That there shall not be taxed under this section any income derived from any public utility or from the exercise of any essential governmental function accruing to any State, Territory, or the District of Columbia, or any political subdivision of a State, Territory, or the District of Columbia, nor any income accruing to the government of the Philippine Islands or Porto Rico, or of any political subdivision of the Philippine Islands or Porto Rico: *Provided,* That whenever any State, Territory, or the District of Columbia, or any political subdivision of a State or Territory, has, prior to the passage of this Act, entered in good faith into a contract with any person or corporation, the object and purpose of which is to acquire, construct, operate or maintain a public utility, no tax shall be levied under the provisions of this Act upon the income derived from the operation of such public utility, so far as the payment thereof will impose a loss or burden upon such State, Territory, or the District of Columbia, or a political subdivision of a State or Territory; but this provision is not intended to confer upon such person or corporation any financial gain or exemption or to relieve such person or corporation from the payment of a tax as provided for in this section upon the part or portion of the said income to which such person or corporation shall be entitled under such contract.

(b) Such net income shall be ascertained by deducting from the gross amount of the income of such corporation, joint-stock

company or association, or insurance company, received within the year from all sources, (first) all the ordinary and necessary expenses paid within the year in the maintenance and operation of its business and properties, including rentals or other payments required to be made as a condition to the continued use or possession of property; (second) all losses actually sustained within the year and not compensated by insurance or otherwise, including a reasonable allowance for depreciation by use, wear and tear of property, if any; and in the case of mines a reasonable allowance for depletion of ores and all other natural deposits, not to exceed 5 per centum of the gross value at the mine of the output for the year for which the computation is made; and in case of insurance companies the net addition, if any, required by law to be made within the year to reserve funds and the sums other than dividends paid within the year on policy and annuity contracts; *Provided*, That mutual fire insurance companies requiring their members to make premium deposits to provide for losses and expenses shall not return as income any portion of the premium deposits returned to their policyholders, but shall return as taxable income all income received by them from all other sources plus such portions of the premium deposits as are retained by the companies for purposes other than the payment of losses and expenses and reinsurance reserves: *Provided further*, That mutual marine insurance companies shall include in their return of gross income gross premiums collected and received by them less amounts paid for reinsurance, but shall be entitled to include in deductions from gross income amounts repaid to policyholders on account of premiums previously paid by them and interest paid upon such amounts between the ascertainment thereof and the payment thereof and life insurance companies shall not include as income in any year such portion of any actual premium received from any individual policyholder as shall have been paid back or credited to such individual policyholder, or treated as an abatement of premium of such individual policyholder, within such year; (third) the amount of interest accrued and paid within the year on its indebtedness to an amount of such indebtedness not exceeding one-half of the sum of its interest bearing indebtedness and its paid-up capital stock outstanding at the close of the year, or if no capital stock, the amount of interest paid within the year on an amount of its indebtedness not exceeding the amount of capital employed in the business at the close of the year: *Provided*, That in case of indebtedness wholly secured by collateral the subject of sale in ordinary business of such corporation, joint-stock company, or association, the total interest secured and paid by such company, corporation, or association within the year on any such indebtedness may be deducted as a part of its expense of doing business: *Provided further*, That in the case of bonds or other indebtedness, which have been issued with a guaranty that the interest payable thereon shall be free from taxation, no deduction for the payment of the tax herein imposed shall be allowed; and in the case of a bank, banking

association, loan, or trust company, interest paid within the year on deposits or on moneys received for investment and secured by interest-bearing certificates of indebtedness issued by such bank, banking association, loan or trust company; (fourth) all sums paid by it within the year for taxes imposed under the authority of the United States or of any State or Territory thereof, or imposed by the Government of any foreign country: *Provided*, That in the case of a corporation, joint-stock company or association, or insurance company, organized, authorized, or existing under the laws of any foreign country, such net income shall be ascertained by deducting from the gross amount of its income accrued within the year from business transacted and capital invested within the United States, (first) all the ordinary and necessary expenses actually paid within the year out of earnings in the maintenance and operation of its business and property within the United States, including rentals or other payments required to be made as a condition to the continued use or possession of property; (second) all losses actually sustained within the year in business conducted by it within the United States and not compensated by insurance or otherwise, including a reasonable allowance for depreciation by use, wear and tear of property, if any, and in the case of mines a reasonable allowance for depletion of ores and all other natural deposits, not to exceed 5 per centum of the gross value at the mine of the output for the year for which the computation is made; and in case of insurance companies the net addition, if any, required by law to be made within the year to reserve funds and the sums other than dividends paid within the year on policy and annuity contracts: *Provided further*, That mutual fire insurance companies requiring their members to make premium deposits to provide for losses and expenses shall not return as income any portion of the premium deposits returned to their policyholders, but shall return as taxable income all income received by them from all other sources plus such portions of the premium deposits as are retained by the companies for purposes other than the payment of losses and expenses and reinsurance reserves: *Provided further*, That mutual marine insurance companies shall include in their return of gross income gross premiums collected and received by them less amounts paid for reinsurance, but shall be entitled to include in deductions from gross income amounts repaid to policyholders on account of premiums previously paid by them, and interest paid upon such amounts between the ascertainment thereof and the payment thereof and life insurance companies shall not include as income in any year such portion of any actual premium received from any individual policyholder as shall have been paid back or credited to such individual policyholder, or treated as an abatement of premium of such individual policyholder, within such year; (third) the amount of interest accrued and paid within the year on its indebtedness to an amount of such indebtedness not exceeding the proportion of one-half of the sum of its interest bearing indebtedness and its paid-up capital stock outstanding at the close of

the year, or if no capital stock, the capital employed in the business at the close of the year which gross amount of its income for the year from business transacted and capital invested within the United States bears to the gross amount of its income derived from all sources within and without the United States: *Provided*, That in the case of bonds or other indebtedness which have been issued with a guaranty that the interest payable thereon shall be free from taxation, no deduction for the payment of the tax herein imposed shall be allowed; (fourth) all sums paid by it within the year for taxes imposed under the authority of the United States or of any State or Territory thereof or the District of Columbia. In the case of assessment insurance companies, whether domestic or foreign, the actual deposit of sums with State or Territorial officers, pursuant to law, as additions to guarantee or reserve funds shall be treated as being payments required by law to reserve funds.

(c) The tax herein imposed shall be computed upon its entire net income accrued within each preceding calendar year ending December thirty-first: *Provided, however*, That for the year ending December thirty-first, nineteen hundred and thirteen, said tax shall be imposed upon its entire net income accrued within that portion of said year from March first to December thirty-first, both dates inclusive, to be ascertained by taking five-sixths of its entire net income for said calendar year: *Provided further*, That any corporation, joint-stock company or association, or insurance company subject to this tax may designate the last day of any month in the year as the day of the closing of its fiscal year and shall be entitled to have the tax payable by it computed upon the basis of the net income ascertained as herein provided for the year ending on the day so designated in the year preceding the date of assessment instead of upon the basis of the net income for the calendar year preceding the date of assessment; and it shall give notice of the day it has thus designated as the closing of its fiscal year to the collector of the district in which its principal business office is located at any time not less than thirty days prior to the date upon which its annual return shall be filed. All corporations, joint-stock companies or associations, and insurance companies subject to the tax herein imposed, computing taxes upon the income of the calendar year, shall, on or before the first day of March, nineteen hundred and fourteen, and the first day of March in each year thereafter, and all corporations, joint-stock companies or associations, and insurance companies, computing taxes upon the income of a fiscal year which it may designate in the manner hereinbefore provided, shall render a like return within sixty days after the close of its said fiscal year, and within sixty days after the close of its fiscal year in each year thereafter, or in the case of a corporation, joint-stock company or association, or insurance company, organized or existing under the laws of a foreign country, in the place where its principal business is located within the United States, in such form as the Commissioner of Internal Revenue, with the approval of the Secretary of the

Treasury, shall prescribe, shall render a true and accurate return under oath or affirmation of its president, vice president, or other principal officer, and its treasurer or assistant treasurer, to the collector of internal revenue for the district in which it has its principal place of business, setting forth (first) the total amount of its paid-up capital stock outstanding, or if no capital stock, its capital employed in business, at the close of the year; (second) the total amount of its bonded and other indebtedness at the close of the year; (third) the gross amount of its income, received during such year from all sources, and if organized under the laws of a foreign country the gross amount of its income received within the year from business transacted and capital invested within the United States; (fourth) the total amount of all its ordinary and necessary expenses paid out of earnings in the maintenance and operation of the business and properties of such corporation, joint-stock company or association, or insurance company within the year, stating separately all rentals or other payments required to be made as a condition to the continued use or possession of property, and if organized under the laws of a foreign country the amount so paid in the maintenance and operation of its business within the United States; (fifth) the total amount of all losses actually sustained during the year and not compensated by insurance or otherwise, stating separately any amounts allowed for depreciation of property, and in case of insurance companies the net addition, if any, required by law to be made within the year to reserve funds and the sums other than dividends paid within the year on policy and annuity contracts: *Provided further*, That mutual fire insurance companies requiring their members to make premium deposits to provide for losses and expenses shall not return as income any portion of the premium deposits returned to their policyholders, but shall return as taxable income all income received by them from all other sources plus such portions of the premium deposits as are retained by the companies for purposes other than the payment of losses and expenses and reinsurance reserves: *Provided further*, That mutual marine insurance companies shall include in their return of gross income gross premiums collected and received by them less amounts paid for reinsurance, but shall be entitled to include in deductions from gross income amounts repaid to policyholders on account of premiums previously paid by them, and interest paid upon such amounts between the ascertainment thereof and the payment thereof and life insurance companies shall not include as income in any year such portion of any actual premium received from any individual policyholder as shall have been paid back or credited to such individual policyholder, or treated as an abatement of premium of such individual policyholder, within such year; and in case of a corporation, joint-stock company or association, or insurance company, organized under the laws of a foreign country, all losses actually sustained by it during the year in business conducted by it within the United States, not compensated by insurance or otherwise, stating separately any

amounts allowed for depreciation of property, and in case of insurance companies the net addition, if any, required by law to be made within the year to reserve funds and the sums other than dividends paid within the year on policy and annuity contracts: *Provided further*, That mutual fire insurance companies requiring their members to make premium deposits to provide for losses and expenses shall not return as income any portion of the premium deposits returned to their policyholders, but shall return as taxable income all income received by them from all other sources plus such portions of the premium deposits as are retained by the companies for purposes other than the payment of losses and expenses and reinsurance reserves: *Provided further*, That mutual marine insurance companies shall include in their return of gross income gross premiums collected and received by them less amounts paid for reinsurance, but shall be entitled to include in deductions from gross income amounts repaid to policyholders on account of premiums previously paid by them and interest paid upon such amounts between the ascertainment thereof and the payment thereof and life insurance companies shall not include as income in any year such portion of any actual premium received from any individual policyholder as shall have been paid back or credited to such individual policyholder, or treated as an abatement of premium of such individual policyholder, within such year; (sixth) the amount of interest accrued and paid within the year on its bonded or other indebtedness not exceeding one-half of the sum of its interest bearing indebtedness and its paid-up capital stock, outstanding at the close of the year, or if no capital stock, the amount of interest paid within the year on an amount of indebtedness not exceeding the amount of capital employed in the business at the close of the year, and in the case of a bank, banking association, or trust company, stating separately all interest paid by it within the year on deposits; or in case of a corporation, joint-stock company or association, or insurance company, organized under the laws of a foreign country, interest so paid on its bonded or other indebtedness to an amount of such bonded or other indebtedness not exceeding the proportion of its paid-up capital stock outstanding at the close of the year, or if no capital stock, the amount of capital employed in the business at the close of the year, which the gross amount of its income for the year from business transacted and capital invested within the United States bear to the gross amount of its income derived from all sources within and without the United States; (seventh) the amount paid by it within the year for taxes imposed under the authority of the United States and separately the amount so paid by it for taxes imposed by the Government of any foreign country; (eighth) the net income of such corporation, joint-stock company or association, or insurance company, after making the deductions in this subsection authorized. All such returns shall as received be transmitted forthwith by the collector to the Commissioner of Internal Revenue.

All assessments shall be made and the several corporations,

joint-stock companies or associations, and insurance companies shall be notified of the amount for which they are respectively liable on or before the first day of June of each successive year, and said assessment shall be paid on or before the thirtieth day of June: *Provided*, That every corporation, joint-stock company or association, and insurance company, computing taxes upon the income of the fiscal year which it may designate in the manner hereinbefore provided, shall pay the taxes due under its assessment within one hundred and twenty days after the date upon which it is required to file its list or return of income for assessment; except in cases of refusal or neglect to make such return, and in cases of false or fraudulent returns, in which cases the Commissioner of Internal Revenue shall, upon the discovery thereof, at any time within three years after said return is due, make a return upon information obtained as provided for in this section or by existing law, and the assessment made by the Commissioner of Internal Revenue thereon shall be paid by such corporation, joint-stock company or association, or insurance company immediately upon notification of the amount of such assessment; and to any sum or sums due and unpaid after the thirtieth day of June in any year, or after one hundred and twenty days from the date on which the return of income is required to be made by the taxpayer, and after ten days' notice and demand thereof by the collector, there shall be added the sum of 5 per centum on the amount of tax unpaid and interest at the rate of 1 per centum per month upon said tax from the time the same becomes due.

(d) When the assessment shall be made, as provided in this section, the returns, together with any corrections thereof which may have been made by the commissioner, shall be filed in the office of the Commissioner of Internal Revenue and shall constitute public records and be open to inspection as such: *Provided*, That any and all such returns shall be open to inspection only upon the order of the President, under rules and regulations to be prescribed by the Secretary of the Treasury and approved by the President: *Provided further*, That the proper officers of any State imposing a general income tax may, upon the request of the governor thereof, have access to said returns or to an abstract thereof, showing the name and income of each such corporation, joint-stock company, association or insurance company, at such times and in such manner as the Secretary of the Treasury may prescribe.

If any of the corporations, joint-stock companies or associations, or insurance companies aforesaid, shall refuse or neglect to make a return at the time or times hereinbefore specified in each year, or shall render a false or fraudulent return, such corporation, joint-stock company or association, or insurance company shall be liable to a penalty of not exceeding \$10,000.

H. That the word "State" or "United States" when used in this section shall be construed to include any Territory, Alaska, the District of Columbia, Porto Rico, and the Philippine Islands, when such construction is necessary to carry out its provisions

I. That sections thirty-one hundred and sixty-seven, thirty-one hundred and seventy-two, thirty-one hundred and seventy-three, and thirty-one hundred and seventy-six of the Revised Statutes of the United States as amended are hereby amended so as to read as follows:

"SEC. 3167. It shall be unlawful for any collector, deputy collector, agent, clerk, or other officer or employee of the United States to divulge or to make known in any manner whatever not provided by law to any person the operations, style of work, or apparatus of any manufacturer or producer visited by him in the discharge of his official duties, or the amount or source of income, profits, losses, expenditures, or any particular thereof, set forth or disclosed in any income return by any person or corporation, or to permit any income return or copy thereof or any book containing any abstract or particulars thereof to be seen or examined by any person except as provided by law; and it shall be unlawful for any person to print or publish in any manner whatever not provided by law any income return or any part thereof or the amount or source of income, profits, losses, or expenditures appearing in any income return; and any offense against the foregoing provision shall be a misdemeanor and be punished by a fine not exceeding \$1,000 or by imprisonment not exceeding one year, or both, at the discretion of the court; and if the offender be an officer or employee of the United States he shall be dismissed from office and be incapable thereafter of holding any office under the Government.

"SEC. 3172. Every collector shall, from time to time, cause his deputies to proceed through every part of his district and inquire after and concerning all persons therein who are liable to pay any internal-revenue tax, and all persons owning or having the care and management of any objects liable to pay any tax, and to make a list of such persons and enumerate said objects.

"SEC. 3173. It shall be the duty of any person, partnership, firm, association, or corporation, made liable to any duty, special tax, or other tax imposed by law, when not otherwise provided for, in case of a special tax, on or before the thirty-first day of July in each year, in case of income tax on or before the first day of March in each year, and in other cases before the day on which the taxes accrue, to make a list or return, verified by oath or affirmation, to the collector or a deputy collector of the district where located, of the articles or objects, including the amount of annual income charged with a duty or tax, the quantity of goods, wares, and merchandise made or sold and charged with a tax, the several rates and aggregate amount, according to the forms and regulations to be prescribed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, for which such person, partnership, firm, association, or corporation is liable: *Provided*, That if any person liable to pay any duty or tax, or owning, possessing, or having the care or management of property, goods, wares, and merchandise, articles or objects liable to pay any duty, tax, or license,

shall fail to make and exhibit a list or return required by law, but shall consent to disclose the particulars of any and all the property, goods, wares, and merchandise, articles, and objects liable to pay any duty or tax, or any business or occupation liable to pay any tax as aforesaid, then, and in that case, it shall be the duty of the collector or deputy collector to make such list or return, which, being distinctly read, consented to, and signed and verified by oath or affirmation by the person so owning, possessing, or having the care and management as aforesaid, may be received as the list of such person: *Provided further*, That in case no annual list or return has been rendered by such person to the collector or deputy collector as required by law, and the person shall be absent from his or her residence or place of business at the time the collector or a deputy collector shall call for the annual list or return, it shall be the duty of such collector or deputy collector to leave at such place of residence or business, with some one of suitable age and discretion, if such be present, otherwise to deposit in the nearest post office, a note or memorandum addressed to such person, requiring him or her to render to such collector or deputy collector the list or return required by law within ten days from the date of such note or memorandum, verified by oath or affirmation. And if any person, on being notified or required as aforesaid, shall refuse or neglect to render such list or return within the time required as aforesaid, or whenever any person who is required to deliver a monthly or other return of objects subject to tax fails to do so at the time required, or delivers any return which, in the opinion of the collector, is false or fraudulent, or contains any undervaluation or understatement, it shall be lawful for the collector to summon such person, or any other person having possession, custody, or care of books of account containing entries relating to the business of such person, or any other person he may deem proper, to appear before him and produce such books, at a time and place named in the summons, and to give testimony or answer interrogatories, under oath, respecting any objects liable to tax or the returns thereof. The collector may summon any person residing or found within the State in which his district lies; and when the person intended to be summoned does not reside and can not be found within such State, he may enter any collection district where such person may be found and there make the examination herein authorized. And to this end he may there exercise all the authority which he might lawfully exercise in the district for which he was commissioned.

"Sec. 3176. When any person, corporation, company, or association refuses or neglects to render any return or list required by law, or renders a false or fraudulent return or list, the collector or any deputy collector shall make, according to the best information which he can obtain, including that derived from the evidence elicited by the examination of the collector, and on his own view and information, such list or return, according to the form prescribed, of the income, property, and objects liable to tax owned or possessed or under the care or

management of such person or corporation, company or association, and the Commissioner of Internal Revenue shall assess all taxes not paid by stamps, including the amount, if any, due for special tax, income or other tax, and in case of any return of a false or fraudulent list or valuation intentionally he shall add 100 per centum to such tax; and in case of a refusal or neglect, except in cases of sickness or absence, to make a list or return, or to verify the same as aforesaid, he shall add 50 per centum to such tax. In case of neglect occasioned by sickness or absence as aforesaid the collector may allow such further time for making and delivering such list or return as he may deem necessary, not exceeding thirty days. The amount so added to the tax shall be collected at the same time and in the same manner as the tax unless the neglect or falsity is discovered after the tax has been paid, in which case the amount so added shall be collected in the same manner as the tax; and the list or return so made and subscribed by such collector or deputy collector shall be held *prima facie* good and sufficient for all legal purposes."

J. That it shall be the duty of every collector of internal revenue, to whom any payment of any taxes other than the tax represented by an adhesive stamp or other engraved stamp is made under the provisions of this section, to give to the person making such payment a full written or printed receipt, expressing the amount paid and the particular account for which such payment was made; and whenever such payment is made such collector shall, if required, give a separate receipt for each tax paid by any debtor, on account of payments made to or to be made by him to separate creditors in such form that such debtor can conveniently produce the same separately to his several creditors in satisfaction of their respective demands to the amounts specified in such receipts; and such receipts shall be sufficient evidence in favor of such debtor to justify him in withholding the amount therein expressed from his next payment to his creditor; but such creditor may, upon giving to his debtor a full written receipt, acknowledging the payment to him of whatever sum may be actually paid, and accepting the amount of tax paid as aforesaid (specifying the same) as a further satisfaction of the debt to that amount, require the surrender to him of such collector's receipt.

K. That jurisdiction is hereby conferred upon the district courts of the United States for the district within which any person summoned under this section to appear to testify or to produce books shall reside, to compel such attendance, production of books, and testimony by appropriate process.

L. That all administrative, special, and general provisions of law, including the laws in relation to the assessment, remission, collection, and refund of internal-revenue taxes not heretofore specifically repealed and not inconsistent with the provisions of this section, are hereby extended and made applicable to all the provisions of this section and to the tax herein imposed.

M. That the provisions of this section shall extend to Porto

Rico and the Philippine Islands: *Provided*, That the administration of the law and the collection of the taxes imposed in Porto Rico and the Philippine Islands shall be by the appropriate internal-revenue officers of those governments, and all revenues collected in Porto Rico and the Philippine Islands thereunder shall accrue intact to the general governments, thereof, respectively: *And provided further*, That the jurisdiction in this section conferred upon the district courts of the United States shall, so far as the Philippine Islands are concerned, be vested in the courts of the first instance of said islands: *And provided further*, That nothing in this section shall be held to exclude from the computation of the net income the compensation paid any official by the governments of the District of Columbia, Porto Rico and the Philippine Islands or the political subdivisions thereof.

N. That for the purpose of carrying into effect the provisions of Section II of this Act, and to pay the expenses of assessing and collecting the income tax therein imposed, and to pay such sums as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may deem necessary, for information, detection, and bringing to trial and punishment persons guilty of violating the provisions of this section, or conniving at the same, in cases where such expenses are not otherwise provided for by law, there is hereby appropriated out of any money in the Treasury not otherwise appropriated for the fiscal year ending June thirtieth, nineteen hundred and fourteen, the sum of \$800,000, and the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, is authorized to appoint and pay from this appropriation all necessary officers, agents, inspectors, deputy collectors, clerks, messengers and janitors, and to rent such quarters, purchase such supplies, equipment, mechanical devices, and other articles as may be necessary for employment or use in the District of Columbia or any collection district in the United States, or any of the Territories thereof: *Provided*, That no agent paid from this appropriation shall receive compensation at a rate higher than that now received by traveling agents on accounts in the Internal Revenue Service, and no inspector shall receive a compensation higher than \$5 a day and \$3 additional in lieu of subsistence, and no deputy collector, clerk, messenger, or other employee shall be paid at a rate of compensation higher than the rate now being paid for the same or similar work in the Internal Revenue Service.

In the office of the Commissioner of Internal Revenue at Washington, District of Columbia, there shall be appointed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury one additional deputy commissioner, at a salary of \$4,000 per annum; two heads of divisions, whose compensation shall not exceed \$2,500 per annum; and such other clerks, messengers, and employees, and to rent such quarters and to purchase such supplies as may be necessary: *Provided*, That for a period of two years from and after the passage of this Act the force of agents, deputy collectors, inspectors, and

other employees not including the clerical force below the grade of chief of division employed in the Bureau of Internal Revenue in the city of Washington, District of Columbia, authorized by this section of this Act shall be appointed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, under such rules and regulations as may be fixed by the Secretary of the Treasury to insure faithful and competent service, and with such compensation as the Commissioner of Internal Revenue may fix, with the approval of the Secretary of the Treasury, within the limitations herein prescribed: *Provided further*, That the force authorized to carry out the provisions of Section II of this Act, when not employed as herein provided, shall be employed on general internal-revenue work.

* * * * *

The following portion of Subdivision "S" of Section IV of the Tariff Act relates to the continuation in force of the present corporation excise tax.

Provided further, That all excise taxes upon corporations imposed by section thirty-eight, that have accrued or have been imposed for the year ending December thirty-first, nineteen hundred and twelve, shall be returned, assessed, and collected in the same manner, and under the same provisions, liens, and penalties as if section thirty-eight continued in full force and effect: *And provided further*, That a special excise tax with respect to the carrying on or doing of business, equivalent to 1 per centum upon their entire net income, shall be levied, assessed, and collected upon corporations, joint stock companies or associations, and insurance companies, of the character described in section thirty-eight of the Act of August fifth, nineteen hundred and nine, for the period from January first to February twenty-eighth, nineteen hundred and thirteen, both dates inclusive, which said tax shall be computed upon one-sixth of the entire net income of said corporations, joint stock companies or associations, and insurance companies, for said year, said net income to be ascertained in accordance with the provisions of subsection G of section two of this Act: *Provided further*, That the provisions of said section thirty-eight of the Act of August fifth, nineteen hundred and nine, relative to the collection of the tax therein imposed shall remain in force for the collection of the excise tax herein provided, but for the year nineteen hundred and thirteen it shall not be necessary to make more than one return and assessment for all the taxes imposed herein upon said corporations, joint stock companies or associations, and insurance companies, either by way of income or excise, which return and assessment shall be made at the time and in the manner provided in this Act; but the repeal of existing laws or modifications thereof embraced in this Act shall not affect any act done, or any right accruing or accrued, or any suit or proceeding had or commenced in any civil case before the said repeal or modification; but all rights and liabilities under said laws shall con-

tinue and may be enforced in the same manner as if said repeal or modifications had not been made. Any offenses committed and all penalties or forfeitures or liabilities incurred prior to the passage of this Act under any statute embraced in or changed, modified, or repealed by this Act may be prosecuted or punished in the same manner and with the same effect as if this Act had not been passed. No Act of limitation now in force, whether applicable to civil causes and proceedings or to the prosecution of offenses or for the recovery of penalties or forfeitures embraced in or modified, changed, or repealed by this Act shall be affected thereby so far as they affect any suits, proceedings, or prosecutions, whether civil or criminal, for causes arising or acts done or committed prior to the passage of this Act, which may be commenced and prosecuted within the same time and with the same effect as if this Act had not been passed.

T. If any clause, sentence, paragraph, or part of this Act shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of said Act, but shall be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy in which such judgment shall have been rendered.

U. That unless otherwise herein specially provided, this Act shall take effect on the day following its passage.

Approved, 9.10 p. m. October 3, 1913.

**For information concerning the Income Tax
and the preparation of statements consult**

**TRUST DEPARTMENT
of
SAVINGS UNION BANK AND TRUST COMPANY**

Savings Union Bank and Trust Company

INSTRUCTIONS OF UNITED STATES TREASURER REGARDING THE INCOME TAX

Upon receipt of the instructions from the Treasurer of the United States concerning the collection of the Income Tax, Collector Scott issued the following notice to banks and kindred institutions:-

In the rough draft of regulations regarding the deduction of the income tax, at the source, on interest maturing on bonds, etc., submitted herewith, you will find a requirement that a license be obtained and a proper surety bond filed before any person, firm, or corporation can undertake the collection of foreign items of income. You are advised that, for the time being, a written application for such license, addressed to the **Collector of Internal Revenue**, will be considered sufficient compliance with the law.

The license forms not yet having been prepared, the time for taking out the license and filing bond is extended to December 1, 1913. The application for the license, however, as herein explained, must be made to this office before further foreign collections are made.

Respectfully,

JOSEPH J. SCOTT, Collector.

INSTRUCTIONS OF THE UNITED STATES TREASURER REGARDING THE INCOME TAX.

Regulations regarding the deduction of the Income Tax at the source on interest maturing on bonds, notes and other similar obligations of corporations, joint-stock companies or associations, and insurance companies under the provisions of Section 2 of the Act of October 3, 1913:

TAX TO BE DEDUCTED AT SOURCE.

Under the Income Tax Law enacted October 3, 1913, a tax of one per cent, designated in the law as the normal tax, shall be deducted at "the source," beginning November 1, 1913, from all income accruing and payable to

Every citizen of the United States whether residing at home or abroad, and to

Every person residing in the United States though not a citizen thereof which may be derived from interest upon bonds and mortgages or deeds of trust or other similar obligations, including equipment trust agreements and receivers' certificates, of corporations, joint-stock companies or associations, and insurance companies, although such interest does not amount to \$3,000, excepting only the interest upon the obligations of the United States or its possessions, or a State or any political subdivision thereof.

The term "debtor" as hereinafter used shall be construed to cover all corporations, joint-stock companies or associations, and insurance companies.

WHEN TAX SHALL BE WITHHELD BY DEBTOR.

For the purpose of collecting this tax on all coupons and registered interest originating or payable in the United States the source shall be the debtor (or its paying agent in the United States), which shall deduct the tax when same is to be withheld and no other bank, or trust company, banking firm or individual taking coupons or interest orders for collection, or otherwise, shall withhold the tax thereon; provided, that all such coupons or orders for registered interest are accompanied by certificates of ownership, signed by the owners of the bonds upon which the interest matured. These certificates shall be in the forms hereinafter prescribed, and each separate certificate shall be made out by the owner of the bonds for the coupons or interest orders for each separate issue of bonds or obligations of each debtor.

WHEN TAX SHALL BE WITHHELD BY FIRST COLLECTING AGENCY.

If, however, the coupons or interest orders are not accompanied by certificates as prescribed above, the first bank, trust company, banking firm, or individual, or collecting agency receiving the coupons or interest orders for collection, or otherwise, shall deduct and withhold the tax and shall attach to such coupons or interest orders its own certificate, giving the name and address of the owner, or the person presenting such coupons or interest orders, if the owner is not known, with a description of the coupons or interest orders; also setting forth the fact that they are withholding the tax upon them; whereupon the debtor shall not again withhold the tax on said coupons or interest orders, but in lieu thereof shall deliver to the government the certificate of such bank, trust company, etc., which is withholding such tax money.

Any corporation, collecting agency, or person first receiving from the owner any interest coupons or orders for the collection of registered interest, and to whom the certificates above provided for are delivered, should require the persons tendering such coupons or orders for registered interest, to satisfactorily establish their identity.

PAYMENT OF REGISTERED INTEREST BY DEBTORS.

The debtor whose bonds may be registered both as to principal and interest shall deduct the normal tax of one per cent from the accruing interest on all bonds before sending out checks for said interest to registered owners or before paying such interest upon interest orders, signed by the registered holders of said bonds until there shall be filed with said debtor or its fiscal agent (and not later than thirty days prior to March 1st) through whom said interest is customarily paid, the proper certificates claiming exemption

from liability for said tax as herein provided, executed as follows:

By a citizen or resident of the United States, the bona fide owner of the registered obligations, who may claim exemption under Paragraph C, Section 2, of the Federal Income Tax Law, or

By corporations, joint-stock companies or associations or insurance companies, organized in the United States, or organizations, associations, fraternities, etc., which are either taxable or exempt from taxation, as provided in Paragraph G, Subdivision A, of the Act, or

By a bona fide resident and citizen of a foreign country, claiming exemption as such.

DESIGNATION OF FISCAL AGENCIES.

The "debtor" may appoint paying or fiscal agents to act for it in matters pertaining to the collection of the tax upon filing with the Collector of Internal Revenue for its district a proper notice of the appointment of such agent or agents.

CERTIFICATES CLAIMING EXEMPTION.

If the owners of the bonds are individuals who are citizens or residents of the United States, the aforesaid certificates shall accompany the coupons, or, with respect to the interest on registered bonds, shall be filed with the payer of said interest, and such certificates shall describe the bonds and show the amount of coupons attached or the amount of interest due such owners on registered bonds and the full names and address of the owners, and shall also state whether they claim or do not claim exemption from taxation at the source provided for in Paragraph C of Section 2 of the Federal Income Tax Law (\$3,000 and under certain conditions \$4,000) as to the income represented by such coupons or interest.

The certificates shall also show the amount, if any, of exemption claimed and the date of signature.

The form of certificate to be used for this purpose shall be substantially as follows:

Form of certificate to be presented with coupons or interest orders stating whether or not exemption is claimed under Paragraph C, Section 2, of the Federal Income Tax Law.

I do solemnly declare that I,,
a citizen, or resident, of the United States, and residing at
....., am the owner of
..... dollars (\$.....)
in bonds of the denominations of dollars
(\$.....) each, Nos. of the
..... known as
bonds from which were detached the accompanying coupons,
due 191.., amounting to
..... dollars (\$.....), or upon
which there matured, 191..,

..... dollars (\$.....) of registered interest.
I do (or do not) now claim with respect to the income represented by said interest the benefit of a deduction of dollars (\$.....) allowed under Paragraph C, Section 2, of the Federal Income Tax Law, my total exemption thereunder being dollars.

(Name).....

(Address).....

(Date), 191..

Whenever interest coupons accompanied by a certificate of an individual who is a citizen or resident of the United States as aforesaid, are presented to a debtor or its fiscal agent for payment, or whenever interest is payable to such individual on a bond registered as to both principal and interest, the debtor or its fiscal agent shall deduct and withhold the amount of the normal tax, except to the extent that exemption is claimed in the certificate of ownership in the form herein prescribed.

Where the interest to be paid is registered, the same form of certificate shall be used where exemptions are claimed, except that it shall be filed with the debtor at least five days before the due date of such interest.

BY WHOM SIGNED.

These certificates must be signed by the claimants with their full names and contain their postoffice and street addresses, also the date when signed.

Duly authorized agents, trustees acting in a trust capacity, etc., may sign such certificates for the persons for whom they act.

ORGANIZATIONS WHOSE INTEREST COUPONS ARE NOT TAXED AT THE SOURCE.

If the owners of the bonds are corporations, joint-stock companies or associations, or insurance companies, organized in the United States, no matter how created, or organized, or if they are organizations, associations, or fraternities, which are either taxable or exempt from taxation as provided in Paragraph G, Subdivision A, of the Act, the debtor is not required to withhold or deduct the tax upon income derived from interest on such bonds, provided coupons or orders for interest from such bonds shall be accompanied by a certificate of the owner thereof certifying to such ownership, which certificate shall be filed with the debtor when such coupons or interest orders are presented for payment.

Such certificate shall be substantially in the following form:

Certificates to be furnished by organizations not subject to tax on interest at the source.

I,, the of the of do solemnly declare that said is the owner of dollars (\$.....) in bonds of the denominations of dollars (\$.....) each, Nos. of the known as bonds from which were deducted the accompanying coupons due 191..., amounting to dollars (\$.....), or upon which there matured 191..., dollars (\$.....) of registered interest, and that under the provisions of the Income Tax Law of October 3, 1913, said interest is exempt from the payment of taxes collectible at the source, which exemption is hereby claimed.

(Name).....

(Of).....

(Address).....

(Date), 191...

This certificate must be signed by the full name of the organization, stating its place of business, and by the president, secretary or some other principal officer of said corporation or organization duly authorized to sign the same, together with the date of execution.

**HOW COLLECTED WHEN NOT ACCOMPANIED BY THE
CERTIFICATE OF OWNER.**

Where coupons or interest orders are not accompanied by the ownership certificates, the form to be executed by the first bank, trust company, banking firm, individual, or collecting agency, receiving the same for collection, or otherwise, which must accompany the coupons or interest orders, shall be substantially as follows:

Form of certificate to be presented with coupons or interest orders when not accompanied by certificate of owners.

I,, the of the of do solemnly declare that said has (or have) purchased or accepted for collection the accompanying coupons or interest orders amounting to dollars (\$.....), and which represent interest matured on dollars (\$.....), of bonds of the and that received said coupons or orders for registered interest from of

....., and that no certificate of ownership accompanied said coupons or interest orders, and hereby acknowledges responsibility of withholding therefrom the normal income tax of one per cent, in accordance with the regulations of the Treasury Department.

(Name).....
By.....
(Address).....

(Date), 191...

This certificate shall be dated and signed by and shall state the address of the corporation, organization, collecting agency, or person withholding the tax with full names and addresses.

FINAL DISPOSITION OF CERTIFICATES.

The debtor or paying agent shall deliver all certificates, with the list of names and addresses of those for whom the tax has been withheld, showing amounts, as required by law, to the **Collector of Internal Revenue** for their district on or before the 20th day of the month succeeding that in which said certificates were received by them.

INTEREST DUE BEFORE MARCH 1, 1913.

The tax shall not be withheld on coupons or registered interest maturing and payable before March 1, 1913, although presented for payment at a later date.

LICENSE REQUIRED FOR COLLECTION OF INCOME FROM FOREIGN COUNTRIES.

All persons, firms, or corporations undertaking for accommodation or profit (this includes handling either by way of purchase or collection) the collection of coupons, checks, bills of exchange, etc., for or in payment of interest upon bonds issued in foreign countries and upon foreign mortgages or like obligations, and for any dividends upon stock or interest upon obligations of foreign corporations, associations, or insurance companies engaged in business in foreign countries, are required by law to obtain a license from the Commissioner of Internal Revenue and may be required to give bond in such amount and under such conditions as the Commissioner of Internal Revenue may prescribe.

BY WHOM TAX IS WITHHELD.

The licensed person, firm or corporation first receiving any such foreign items for collection or otherwise, shall withhold therefrom the normal tax of one per cent, and will be held responsible therefor. He (the licensee) shall thereupon indorse or stamp thereon the words "Income Tax Withheld by" (giving his or their name, address, and date), which shall be sufficient evidence to relieve subsequent holders or purchasers from the duty of also withholding the income tax.

If the size or nature of such coupons, checks, etc., makes it impracticable to make said endorsement as above, a statement

identifying the item on which tax is withheld and bearing said endorsement may be attached thereto with the same effect as if the endorsement was made directly thereon.

LIST OF TAX COLLECTIONS ON FOREIGN ITEMS.

Such licenses shall obtain the names and addresses of the persons from whom such items are received, and shall prepare a list of same and file it with the **Collector of Internal Revenue** for his district not later than the 20th day of the month next succeeding the receipt of such items. The list shall be dated, and shall contain the names and addresses of the taxable persons and the amount of tax deducted, and from what source collected.

CERTIFICATES TO SECURE TAX EXEMPTION ON FOREIGN ITEMS.

In the event such coupons, checks or bills of exchange above mentioned are presented for collection by an individual claiming the benefit of the deductions allowable under paragraph C, section 2, of the Federal Income Tax law, such individual shall be permitted to avail himself of the deduction claimed, upon the signing of the form heretofore prescribed for coupons payable in the United States, and no tax shall be deducted for the amount of the exemption so claimed; or if such items are presented by corporations, joint stock companies or associations, and insurance companies, organized in the United States, the form of certificate heretofore prescribed for such organizations shall be used, and in such instances no tax shall be deducted.

In both instances the licensee first receiving such items shall retain such certificates for delivery with the lists aforesaid to the **Collector of Internal Revenue** for his district not later than the 20th day of the month next succeeding that in which said items were received, and with respect to said coupons, checks, or bills of exchange, said licensee shall attach thereto (identifying the items) or indorse, or stamp thereon the words "Income Tax Exemption Claimed through" (giving name and address of licensee), which shall be sufficient evidence to relieve subsequent holders or purchasers from the duty of also withholding the tax thereon.

The provision for collection of the tax on foreign obligations set forth in this section of the regulations includes the interest upon all foreign bonds, even though the coupons may be at the option of the holder, payable in the United States as well as in some foreign country.

ACCURATE RECORD TO BE KEPT BY LICENSEE.

All persons licensed shall keep their records in such manner as to show from whom every such item has been received, and such records shall be open at all times to the inspection of Internal Revenue officers.

PENALTY FOR OMISSION TO OBTAIN LICENSE.

Failure to obtain license or to comply with regulations is punishable by a fine not exceeding \$5,000, or imprisonment not exceeding one year, or both, in the discretion of the court. Such licenses shall continue in force until revoked. Application for such licenses should be made to the **Collector of Internal Revenue** for the district in which they are engaged in business, and may be issued without cost to such persons as the Commissioner may approve, upon their filing with the **Collector** the bond herein provided for.

All persons making application to the **Collector of Internal Revenue** for such licenses shall register their names and addresses and state the nature of the business in which they are engaged. Such application for the license, accompanied by a proper surety bond, when both have been approved by the **Collector**, will be considered a sufficient compliance with the law to enable the persons making application to do business until February 1, 1914, without incurring the penalties provided by law for failure to procure the required license.

PENALTY FOR FALSE STATEMENTS.

If any person, for the purpose of obtaining any allowance for reduction by virtue of a claim for exemption, either for himself or for any other, knowingly makes a false statement or false or fraudulent representation, he is liable under the Act to severe penalties.

PARTNERSHIPS.

Where coupons or interest orders, presented for payment, represent the interest on bonds, or other similar obligations, owned by a partnership, they shall be accompanied by a certificate of ownership, which shall be signed either in the firm's name by one member of the firm or by each individual member of the partnership, and the normal tax shall be withheld by the debtor with respect to the income represented by said interest.

Said certificate or ownership shall be in substantially the following form:

FORM OF CERTIFICATE TO BE FILLED OUT AND SIGNED BY MEMBERS OF PARTNERSHIPS.

The following certificate should be used when coupons or interest orders are presented by citizens or residents of the United States for collection of interest on bonds, or other similar obligations, owned by the partnerships of which they are members:

I, a member of the firm or partnership of of and residing at do solemnly declare that the said partnership is the owner of (\$.....) dollars of bonds of the denomination of (\$.....)dollars each, Nos. of the

known as bonds, from which were detached the accompanying interest coupons, due 191., amounting to (\$.....)dollars, or upon which there matured 191., (\$.....) dollars of registered interest, and that the name and address of said firm or partnership, and the name of the individual members thereof, and their places of residence, are as follows:

.....
.....
.....
.....
.....
Names of partners.	Address.
(Name of partner signing)	
.....	
(Of firm of).....	
Address.....	
Date.....	

Any member of a partnership who is entitled to a deduction (under Paragraph C, Section '2, of the Income Tax Law) of his prorata share of the tax which may be withheld at the source of interest on bonds owned by his copartnership, as above, may claim such deduction or allowance when he shall make his individual income tax return for the year in which said deduction at the source was made.

NON-RESIDENT FOREIGNERS OWNING INTEREST-BEARING BONDS NOT SUBJECT TO TAXATION ON INCOME FROM SUCH BONDS IF PROPER CERTIFICATE FURNISHED.

This tax will not be deducted from the income which may be derived from interest on bonds, mortgages, equipment trusts, receivers' certificates, or other similar obligations of which the bona fide owners are citizens of foreign countries residing in foreign countries; **Provided**, that such interest coupons, or in case of wholly registered bonds, the orders for the payment of such interest shall be accompanied by duly certified certificates hereinafter provided for to cover the cases of foreign and non-resident owners of bonds and other securities.

Unless such proof of foreign ownership is duly furnished, the normal tax of one per cent shall be deducted as herein provided. Such certificate shall be in substantially the following form:

Form of certificate to be presented with coupons or interest orders, detached from bonds or other obligations owned by those who are both citizens or subjects and residents of foreign countries.

I do solemnly declare that I am not a citizen or resident of the United States of America, but a subject or citizen of, and that I am the owner of.....

..... dollars of bonds of the denomination of
..... dollars each, Nos.
..... of the known as.....
..... bonds, from which were detached the accom-
panying coupons, due 191.,
amounting to (\$.....) dollars, or
upon which there matured, 191.,
(\$.....) dollars of registered interest
and that, being a non-resident foreigner, I am exempt from the
income tax imposed on such interest by the United States
Government under the law enacted October 3, 1913, and that
no citizen of the United States, wherever residing, or foreigner
residing in the United States, or any of its possessions, has
any interest in said bonds, coupons, or interest.

(Signature of owner of bonds)

.....
Address.....

Dated....., 191...

TEMPORARY PROVISION.

In view of the fact that the time required for the inter-
pretation of the law and preparation and issuance of these
regulations brings the date so near November 1, and that
many coupons payable upon that date are already in transit
without the prescribed certificate attached, with a desire to
cause as small an amount of inconvenience as possible to
bondholders and general business as may be compatible with
the provisions of the law and of these regulations, the follow-
ing temporary provision is made:

On November 1, 1913, and for fifteen days thereafter,
coupons presented to a debtor need not be accompanied by
certificates in any of the forms hereinbefore described, pro-
vided that such coupons are accompanied by a certificate sub-
stantially in the following form:

Form of temporary certificate which may be used
only prior to November 16, 1913, subject to substitution.

I (or we) hereby certify that I am
(or we) lawfully entitled to present for payment the accom-
panying coupons, or interest orders, amounting to
dollars (\$.....), representing interest matured on the
following bonds (giving name of debtor and designating the
description, style and numbers of the bonds); that said
coupons, or interest orders came into my (or our) possession
unaccompanied by a certificate of ownership of said bonds, in
any of the forms required by the regulations of the United
States Treasury Department, and that the name and address
of the owner of such bonds are as follows (give name and
address of owner, or if impossible to do this, so state):

(Name of person, firm or corporation presenting coupons)

.....
(By).....
(Address).....

On or before February 1, 1914, certificates of the ownership of any of the bonds upon which was collected the interest referred to in such temporary certificates, in any of the forms above set forth, may be delivered to the debtor; and said debtor may thereupon return any sum withheld to which the owner of such bonds may be entitled under the law and regulations upon the facts disclosed by such ownership certificates. Any temporary certificates relating to bonds, for which certificates of ownership shall not have been substituted with the debtor, shall, on or before March 1, 1914, be delivered to the Collector of Internal Revenue.

All forms of certificates herein provided for shall be 8 inches wide and $3\frac{1}{2}$ inches from top to bottom, and printed on paper corresponding in weight and texture to glazed bond paper 17x28, about 26 pounds to the ream of 500 sheets, or white writing paper 21 x 32, about 32 pounds to the ream of 500 sheets, and the person or corporation first receiving coupons for collection shall write or stamp his or its name and address and date on the back of said certificates.

W. H. OSBORN,
Collector of Internal Revenue.

W. G. McADOO,
Secretary of the Treasury.
Approved October 25, 1913.

**For information concerning the Income Tax
and the preparation of statements consult**

**TRUST DEPARTMENT
of
SAVINGS UNION BANK AND TRUST COMPANY**

Savings Union Bank and Trust Company

REGULATIONS

REGARDING THE DEDUCTION AT THE SOURCE OF THE NORMAL TAX OF ONE PER CENT FROM INCOME OF INDIVIDUALS, OTHER THAN INCOME DERIVED FROM INTEREST UPON BONDS AND MORTGAGES, OR DEEDS OF TRUST, OR OTHER SIMILAR OBLIGATIONS OF CORPORATIONS, JOINT-STOCK COMPANIES, OR ASSOCIATIONS AND INSURANCE COMPANIES, UNDER THE PROVISIONS OF SECTION 2, OF THE ACT OF OCTOBER 3, 1913.

The "source" in these regulations shall be construed as referring to the place where the income originates.

BY WHOM THE NORMAL TAX SHALL BE DEDUCTED AND WITHHELD.

All persons, firms, etc., mentioned in paragraph E of this law, hereinafter referred to as "withholding agents," namely:

Copartnerships, companies, corporations, joint-stock companies, or associations, insurance companies, in whatever capacity acting, including lessees, mortgagors of real or personal property, trustees acting in any trust capacity, executors, administrators, agents, receivers, conservators, employers and all officers and employees of the United States having the control, receipt, custody, disposal or payment of interest (except income derived from interest upon bonds and mortgages, or deeds of trust, or other similar obligations of corporations, upon which the normal tax of 1 per cent has otherwise been withheld at the source, as provided by these regulations), rent, salaries, wages, royalties, taxable annuities, emoluments, or other fixed or determinable gains, profits and income of ANOTHER PERSON, exceeding \$3,000.00 for any taxable year, except as hereinafter provided, shall deduct and withhold from such annual gains, profits, and income such sum as will be sufficient to pay the normal tax of 1 per cent imposed thereon by Section 2 of this Act, and shall make lawful return and pay the taxes so withheld to the Collector of Internal Revenue for the district in which said withholding agent resides, or has his, her or its principal place of business.

The normal tax of 1 per cent shall be thus withheld from all income derived from fixed annual periodical rent of realty or personalty, interest (except as herein otherwise provided), salaries, royalties, taxable annuities, and other fixed annual periodical income exceeding \$3,000.00.

ITEMS UPON WHICH TAX IS NOT TO BE WITHHELD AT THE SOURCE.

(1) Dividends on capital stock, or from the net earnings of corporations and joint-stock companies or associations and insurance companies subject to like tax, when said withholding agents are required to make and render a return in behalf of another, as provided herein, to the collector of his, her or its district.

(2) Proceeds of life insurance policies paid upon the death of the person insured or payments made by or credited to the insured, on life insurance, endowment, or annuity contracts, upon the return thereof to the insured at the maturity of the term mentioned in the contract, or upon the surrender of contract—all of which shall not be included as income under this law—but this shall not be construed to exempt said insurance companies from withholding and paying the normal tax of 1 per cent on interest income paid by insurance companies to beneficiaries of policies when said interest exceeds \$3,000.00.

(3) Income of an individual which is not fixed or certain, and payable at stated periods, or is indefinite or irregular as to amount or time of accrual, shall not be withheld at the source, but shall be returned and the tax shall be paid thereon by the individual.

Income derived from the following professions and vocations come under this head:

Farmers, merchants, agents compensated on the commission basis, lawyers, doctors, authors, investors, and other professional persons.

Such persons shall make personal return of all their income, provided their total income from all sources exceeds \$3,000.00.

For example: When a lawyer receives a retainer of \$5,000 as a special fee, a deduction therefrom shall not be made by the payer, but when a lawyer receives a retainer of \$5,000 per annum, and the exemption claimed is \$3,000, \$2,000 of such income would be taxed, and the tax retained at the source, or if his exemption claimed should be \$4,000, \$1,000 of such income would be taxed, and the tax withheld at the source.

(4) The value of property acquired by gift, bequest, devise or descent.

(5) Interest upon the obligation of a State, or any political subdivision thereof, and upon the obligations of the United States or its possessions; also the compensation of the present President of the United States during the term for which he has been elected, and of the judges of the Supreme and inferior courts of the United States now in office, and the compensation of all officers and employes of a State or any political subdivisions thereof paid by a State or any political subdivision thereof, except when such compensation is paid by the United States government.

This exempts from the income tax all salaries paid to an individual by a State or any political subdivision thereof; this would include salaries of State, county and municipal officers, including the salaries of public school teachers, and special compensation paid by States or subdivisions thereof for professional services, whether in the shape of salaries or special fees.

NORMAL TAX ON THE SAME INCOME IS TO BE WITHHELD BUT ONCE.

The normal tax of 1 per cent shall be deducted and withheld at the source, and payment made to the Collector of Internal Revenue as provided in the law, by the debtor or his, her or its duly appointed agent authorized to make such deduction and payment.

No other person, firm or organization, in whatever capacity acting, having the receipt, custody, or disposal of any income, as herein provided, shall be required to again deduct and withhold the normal tax of 1 per cent thereon, **provided** that any person, firm or organization, in whatever capacity acting, other than the debtor, who has withheld said tax, shall file with the Collector of Internal Revenue for his, her, or its district, a certificate in substantially the following form:

Form of Certificate to be Filed by Persons, Firms or Organizations, Required to Withhold and Pay Said Tax, Other than the Debtor at the Source.

To

.....Collector of Internal Revenue.
(Name of Collector of Internal Revenue)

.....
(Give address and designate district)

I.....
(Name) (Official title, if any)

of the
(Persons, firm or organization) (Capacity in which acting)

of do solemnly declare that I (we)
(Postoffice address)

received of \$....., same being
(Name from whom received)

income derived from.....
(State source, whether rents, salary or other sources)

belonging to
(Give name of person to whom income is due) (Address)

and that the tax amounting to \$..... to which said
person is subject, has been withheld at the source of said income
by

(Name of person withholding) (Postoffice address)

(Signed)

(Address)

(Street and No.)

(City and State.)

Date:, 191..

EXEMPTIONS WHICH MAY BE CLAIMED BY INDIVIDUALS.

Any person, subject to the normal tax of 1 per cent, the amount of which is withheld or is to be withheld at the source, wishing to avail himself or herself of the exemption provided in paragraph C, Section 2 of this Act (\$3,000 or \$4,000, as the case may be) must file with the withholding agent, not less than thirty days prior to the day on which the return on his income is due, a notice in the following form:

Form for Claiming Exemption at the Source as Provided in Paragraph C, Section 2, of the Federal Income Tax Law of October 3, 1913.

To
(Give name of withholding agent)

.....
(Give postoffice address)

I hereby serve you with notice that I am ~~single~~—**married and**
(Strike out so as to state status correctly)
living with my wife—husband, and now claim the benefit of the
exemption of \$....., as allowed in paragraphs "C" and "D"
of Section 2 of the Federal Income Tax Law of October 3, 1913
(my total exemption under said paragraph being \$.....).

(Signed).....

(Address).....

(Street and No.)

.....
(City and State)

Date:, 19....

BY WHOM EXEMPTIONS UNDER PARAGRAPH C, SECTION 2, OF THIS ACT, MAY BE CLAIMED.

Every single person, or every married person not living with wife or husband, who is liable for the normal income tax under this law, may claim a total deduction of \$3,000 from net income, on which deduction he or she is exempt from normal tax of 1 per cent.

Where a husband and wife live together and only one of them has an annual income liable for the normal tax of 1 per cent, then the husband or wife who has the income, shall make the return and pay the said tax and may claim and deduct an exemption of \$4,000.

But if a husband and wife live together, and each has an annual income liable for the normal tax of 1 per cent, then in that event they shall make a separate return and the \$4,000 exemption allowed to a husband and a wife when living together may be claimed and deducted by **either** the husband or wife, as they may mutually agree (but not by both separately), or the said exemption shall be **prorated** between them in proportion to their net income.

**AMOUNT OF EXEMPTION ALLOWABLE FOR 1913 UNDER
PARAGRAPH C, SECTION 2 OF THE FEDERAL INCOME
TAX LAW.**

For the present year of 1913 (from March 1st to December 31st) exemptions allowed under paragraph C of this law will be five-sixths of those of the calendar year, as specified in paragraph D, namely: \$2,500 if the exemption is \$3,000, or \$3,-333.33, if the exemption is \$4,000, as the case may be.

**WHEN AND ON WHAT AMOUNT THE NORMAL TAX OF
ONE PER CENT SHALL BE WITHHELD.**

A withholding agent who pays monthly or periodically during the year, interest (except income derived from interest upon bonds and mortgages, or deeds of trust, or other similar obligations of corporations, etc., upon which the normal tax of 1 per cent has been withheld at the source, as provided by these regulations), rents, salaries, wages, etc., shall not withhold the said tax until such time as the rents, salary, wages, etc., shall have reached an aggregate amount in excess of \$3,000 for said period. When such amount has been reached, he, she or it shall withhold the tax on the whole \$3,000 and excess thereof, UNLESS the person to whom the income is due files with him, her or it, the notice herein provided, claiming exemption under paragraph C of Section 2 of this Act, in which case the withholding agent shall withhold only the tax on the income in excess of said exemption of \$3,000.00 or \$4,000.00 (as the case may be), and the tax so withheld shall be returned and paid as required by law.

DEDUCTIONS TO BE MADE IN COMPUTING NET INCOME.

Any person subject to the normal income tax of 1 per cent, a part of whose income is withheld or is to be withheld at the source, who may wish to avail himself of the deductions authorized in subsection B, Section 2 of this Act, may file either with the Collector of Internal Revenue for the district in which return is made for him, or with the withholding agent, not less than thirty days prior to March 1st, a return and notice in substantially the following form:

Form.

**UNITED STATES INTERNAL REVENUE RETURN AND
APPLICATION FOR DEDUCTIONS.**

**As Provided by Paragraphs B and E, Section II of the
Federal Income Tax Law of October 3, 1913.**

To
(Name of withholding agent)
.....
(Street and number)
.....
(Town or city) (State)

I hereby solemnly declare that the following is a true and correct return of my gains, profits and income from all other sources for the calendar year ended December 31, 19.... (from

March 1 to December 31, for the year 1913), and a true and correct return of deductions asked for under paragraph B, of Section II of the Act of October 3, 1913, and I hereby claim deductions as shown below:

Amount of gains, profits, interest, rents, royalties,
profits from copartnerships and income from all
other sources whatsoever

Deductions.

1. The amount of necessary expenses actually paid in carrying on business, not including personal, living or family expenses.
2. All interest paid within the year on personal indebtedness of taxpayer
3. All national, State, county, school and municipal taxes paid within the year (not including those assessed against local benefits).
4. Losses actually sustained during the year incurred in trade or arising from fires, storms, or shipwreck, and not compensated for by insurance or otherwise
5. Debts due, actually ascertained to be worthless and charged off within the year.
6. Amount representing a reasonable allowance for the exhaustion, wear and tear of property arising out of its use or employment in the business, not to exceed in the case of mines 5 per centum of the gross value of the output for the year for which the computation is made, but not including the expense of restoring property, or making good the exhaustion thereof for which an allowance is or has been made.
7. The amount received as dividends upon the stock or from the net earnings of any corporation, joint stock company, association or insurance company which is taxable upon its net income.
8. The amount of income, the tax upon which has been paid or withheld for payment at the source of income

Total deductions

Note: Money or other things of value, disposed of by gift, donation or endowment, shall not be deducted or be made the basis for a deduction from the income of persons or corporations in their tax returns under the Income Tax Law.

Date

(Signed)

(Address)

Money or other things of value, disposed of by gift, donations or endowment, shall not be deducted or be made the basis for a deduction from the income of persons or corporations in their tax returns under the Income Tax Law.

**AMOUNT OF DEDUCTION ALLOWABLE FOR 1913 ACCORD-
ING TO PARAGRAPHS "B" AND "D" OF SECTION 2 OF
THIS ACT.**

For the present year of 1913 (from March 1 to December 31) the deductions allowed under paragraph "B" shall be five-sixths of the deductions allowable for a calendar year, as specified in paragraph "D" of this law.

**AMOUNT OF TAX TO BE WITHHELD FOR 1913 AND WHEN
WITHHELD.**

The withholding agent is not required to deduct and withhold prior to November 1, 1913, the normal tax of one per cent for which an individual is liable.

Whenever the total amount of income paid to any person by a withholding agent, after October 31, 1913, shall be in excess of \$3,000, then, in that event, the withholding agent shall be liable for and shall deduct and withhold the tax on such amounts, unless such person shall file a claim for an exemption as allowed in paragraph "D" of this Act, the amount of exemption allowable being \$2,500 if the annual exemption is \$3,000, or \$3,333.33, if the annual exemption is \$4,000, as the case may be.

PERSONS PHYSICALLY UNABLE TO MAKE RETURNS.

If a person, subject to said tax, part of whose income is withheld, or is to be withheld, is a minor or insane person, or is absent from the United States, or unable to make the application or return because of serious illness, the application or return may be made by the withholding agent who shall make the following oath under the penalties of this Act:

Form of oath required of a withholding agent when acting for another in filing return and making application for deductions allowable under paragraph "B," as provided in paragraph "E," Section 2, of the Federal Income Tax Law of October 3, 1913.

"I hereby swear (or affirm) that I have sufficient knowledge of affairs and property of.....
(Naming person and address for whom acting)
to enable me to make full and complete return for.....
..... and that the
(Naming persons)
return of income, and application for deductions made by me are true and accurate."

(Signed).....

(Address).....

(Street and Number)

.....

(City and State)

Date....., 191....

Signed and sworn to before, 191....

PENALTIES.

Sub-section "F" of Section 2 of the Income Tax Law provides inter alia as follows:

"Any person or any officer of any corporation required by law to make, render, sign or verify any return, who makes any false or fraudulent return or statement with intent to defeat or evade the assessment required to be made, shall be guilty of a misdemeanor and shall be fined not exceeding \$2,000, or to be imprisoned not exceeding one year, or both, in the discretion of the court, with the costs of prosecution.

W. H. OSBORN,
Commissioner of Internal Revenue.

Approved October 31, 1913.

W. G. McADOO, Secretary of the Treasury."

**For information concerning the Income Tax
and the preparation of statements consult**

**TRUST DEPARTMENT
of
SAVINGS UNION BANK AND TRUST COMPANY**

Savings Union Bank and Trust Company

ADDITIONAL INSTRUCTIONS

Concerning Withholding of Normal Income Tax at Source on Interest Due Depositors.

TREASURY DEPARTMENT, INTERNAL REVENUE SERVICE.

San Francisco, Cal., November 13, 1913.

To Banks, Bankers, and Others Concerned:

Sirs—You are advised that banks, bankers, trust companies and other banking institutions receiving deposits of money are NOT REQUIRED to withhold at the source the normal income tax of one per cent on the interest paid or accrued or accruing to depositors, whether on open accounts or on certificates of deposit. The Government will require that such interest be included in the personal return of the person entitled to receive it.

It has been called to the attention of this office that certain banks are refusing to pay coupons for interest on bonds of States, counties, cities or other political subdivisions, when such coupons are not accompanied by certificates of ownership, without deducting the normal income tax of one per cent, which the law and the regulations of the Treasury Department require shall be deducted at the source in paying the interest on bonds of corporations, joint stock companies, or associations and insurance companies.

You are advised that the income derived from interest upon obligations of a State or any political subdivision thereof, or of the United States or its possessions, IS NOT SUBJECT TO THE INCOME TAX, and that a certificate of ownership in connection with coupons or registered interest orders for such interest will not be required provided the interest coupons show clearly on their face the public character of the bonds, the interest upon which they represent.

Please be guided by this circular letter as official.

Respectfully,

JOSEPH J. SCOTT,

Collector of Internal Revenue, First District of California.

Savings Union Bank and Trust Company

Capital and Surplus \$3,620,000.00
Deposits June 30, 1913, \$33,396,936.60

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